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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 004035

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TAGS: [PGOV](#) [PREL](#) [TW](#)

SUBJECT: SPECIAL DEFENSE BUDGET PROSPECTS IN DOUBT

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

11. (C) Summary: Early passage of the USG 18 billion Special Budget for defense procurement appears increasingly unlikely as the Pan-Blue continues to block the bill from getting on the legislative agenda. Taiwan MND officials are now turning to the USG for assistance in overcoming Pan-Blue resistance. LY President and KMT Vice Chairman Wang Jin-pyng told AIT that the KMT would work with the DPP on the Budget in exchange for Chen Shui-bian's cooperation on the March 19 Truth Investigation Committee. On the other hand, he said, it would be difficult for the PFP to reverse completely its LY election platform of opposing the Special Budget. Despite Taiwan MND and NSC assurances that they would continue to lobby the Pan-Blue, prospects for early action on the Budget appear dim as the post LY election promises of bi-partisan cooperation faded into memory. End Summary.

MND Asking for USG Help

12. (C) Action on the Special Budget for the USG 18 billion advanced weapons procurement package appears unlikely as the Pan-Blue continues to block the bill from getting on the legislative agenda of the current lame duck Legislative Yuan (LY) session. Ministry of National Defense (MND) Strategic Planning Division (SPD) Director Admiral Kao Kuang-chi asked AIT/USG on December 17 to intervene with the Pan-Blue ahead of the December 21 LY Procedure Committee. Kao said it would be helpful if AIT and the USG reached out to those close to KMT Chairman Lien Chan to emphasize to the Pan-Blue that Washington views the special budget as a barometer for Taiwan's commitment to defend itself.

13. (C) The Pan-Blue controlled Procedure Committee had already failed once again on December 14 to act on the authorization portion of Special Budget bill and every other DPP Government-sponsored legislation. The December 14 meeting was the first time the LY Procedure Committee had met since the late November LY recess for members to campaign for the December 11 LY election. Committee approval was not expected, however, given the lack of inter-party consultation prior to the meeting. LY President Wang Jin-pyng announced publicly on December 13 that LY approval of the Special Budget was still a possibility but it would require an inter-party consensus. If no consensus could be reached, he said, he would recommend the Executive Yuan resubmit the package in the Spring LY session that begins in February 2005.

KMT Quid Pro Quo

14. (C) LY President Wang Jin-pyng told the AIT Acting Director on December 16 that he had agreed to a request from MND Vice Minister Admiral Lei Kuang-shuh to convene cross-party consultations on December 20 aimed at forging a consensus on the authorization bill. However, he acknowledged that the current LY dynamics made it difficult to envision action during the current lame duck session expected to end on January 17. KMT Chairman Lien Chan, he explained, wanted to be helpful, but with the condition that the KMT would insist on trading its cooperation on the Special Budget to win DPP concessions. For his part, Wang asked the USG to pressure Chen Shui-bian to cooperate with the March 19 Truth Investigation Committee (which had some of its powers stuck down by the Council of Grand Justices on December 15) and to agree to other March 20 election-related concessions (Septel). In response, the AIT Acting Director explained to Wang that it is extremely unlikely that the USG would get involved in Taiwan's internal politics.

PFP's Opposition Platform

15. (C) Wang offered even less reason for optimism that the People First Party (PFP) would support the Special Budget during the current session. Wang told the AIT Acting Director that because the PFP had campaigned during the LY election on an anti-Special Budget platform, "some time would have to pass before the PFP could reverse its opposition to the Special Budget." PFP LY Caucus Leader Liu Wen-hsiung's office told AIT that opposition to the Special Budget is led by PFP Chairman James Soong, as well as Legislators Lin

Yu-fang and Nelson Ku (Chung-lien). Kevin Lo, Liu's senior legislative aide, said that Lin continues to tell his PFP colleagues that the cost of the eight diesel submarines is "above the international market rate." Lo also said Ku opposes the entire weapons package on principle, claiming Taiwan does not need the weapons. Lo added that at this point only AIT intervention with Soong could reverse the PFP's stance.

16. (C) Taiwan National Security Council (NSC) officials told AIT that PFP Legislator Lin Yu-fang had informed the NSC that he personally was prepared to take action on the Budget during the current session but that Soong was intent on preventing any action until after February 2005. The NSC officials told AIT that they believe Soong is trying to use the Special Budget as a bargaining chip with Wang Jin-pyng and the KMT to leverage his party's role in the majority opposition alliance. However, Soong has departed Taiwan for a month-long vacation in the United States. NSC officials told AIT they hope to take advantage of Soong's absence to persuade Wang to bring the PFP LY members around to the Government's position.

Comment: Casualty of Taiwan's Internal Politics

17. (C) Taiwan NSC officials tell AIT that they are in active consultations with Wang Jin-pyng and Opposition members of the LY Defense Committee to press for action on the Special Budget in the lame duck session. However, the Budget appears to be falling victim to the contentious relationship among all of Taiwan's political parties. Until recently, the KMT merely wanted the MND to trim the price tag of the weapon systems, especially the eight submarines. Now the KMT has raised the ante by linking the Special Budget to the March 19 Truth Investigation Committee. During the LY election, the PFP opposed the Special Budget for electoral advantage. The PFP now finds itself unable to reverse its position, and continues to use its opposition as a bargaining chip with the KMT. With the December 11 calls for bi-partisan cooperation already fading into distant memory, early passage of the Special Budget appears increasing unlikely.

PAAL